

# **Testimony of the Michigan Independent Hydroelectric Owners**

*House Energy Policy Committee*

*May 7, 2015*

Thank you Chairman Nesbitt, and members of the committee, for this opportunity to testify before you regarding HB 4297.

Michigan's small, independent hydroelectric owners and operators have been producing clean, emission-free energy for more than a century, providing electric customers in the state with affordable and reliable, clean and renewable power. Our group represents 22 MW of installed capacity that is interconnected with Consumers Energy Co.

We are neutral on HB 4297 and HB 4298 as introduced. While we support the integrated resource plan process in concept, it and the rest of the bill lacks any assurance that small hydro facilities will continue to be able to provide the state with the energy and capacity it needs for the future, plus a host of other benefits.

All of these small independently-owned hydroelectric facilities operate under long-term power purchase agreements (PPA) that existed prior to the RPS. Most, but not all, have contracts with regulated utilities like Consumers Energy Co. as defined by the Public Utilities Regulatory Policy Act, commonly known as PURPA. The majority of these PPAs will expire in the next several years, and to date Consumers Energy has provided no certainty that these contracts will be extended, renewed or replaced.

Michigan's hydro owners are not alone in this concern, which are shared by the other independent power producers that have PPAs with utilities.

Michigan's small hydroelectric facilities are too valuable to let them go idle. Our energy source – clean, renewable, sustainable flowing water – provides stable pricing against fluctuating fuel prices. We have low operating expense but large capital costs, particularly in complying with environmental and FERC-mandated requirements. We are baseload power with "black start" capability that supports the grid as distributed generation. The impoundments these facilities create provide recreational opportunities for the public and lakefront property owners, and habitat for fish and wildlife.

Without the revenues from a PPA these facilities cannot operate and these benefits will be lost.

Michigan's energy policy needs to keep small independent hydro viable. We need contract terms that are just and reasonable, and allow for the recovery of compliance, operations and maintenance costs.

The Michigan Independent Hydroelectric Owners and Operators believe the state needs to explore incentives to encourage regulated utilities to enter PPAs for small hydro energy and capacity that reflect the benefits of zero-emissions, recreational opportunities, and renewable electrical power, which includes a hedge against volatile coal and natural gas pricing and the intermittency of electricity sources, such wind and solar.

Regulated utilities like Consumers Energy and DTE Energy are obligated by PURPA to buy power, at avoided cost, from qualified electric generating facilities of 20 MW and smaller. Recent attempts to

renew these contracts have been unsuccessful. And, Consumers Energy's blanket offer of short-term market pricing and capacity<sup>1</sup>, approximately \$45 per MWh, is inadequate for maintaining these facilities and does not meet the avoided cost of building new generation, which is the basis for PURPA, and which we believe should be based on the cost of the utility's proposed Thetford natural gas plant, which has a transfer price of approximately \$80 per MWh.

Electricity from small hydroelectric facilities diversifies Michigan's energy portfolio, secures and provides drinking water to local communities, and supports recreational opportunities for lakefront property owners and the general public. Not ensuring their viability will have major consequences.

The Michigan Independent Hydroelectric Owners appreciate this opportunity, and would like to work with the bill sponsors to ensure small hydroelectric facilities can continue their role and service the people of the State of Michigan.

## BACKGROUND

### Hydro Facts – Michigan

- Only 3% of Michigan's 2500 dams produce power
- 80 electrified dams, 330 MW
  - 19 small independent hydros interconnected with Consumers Energy
- 55 retired electrified dams (30 MW)
- 750 dams could be retrofitted totaling up to 100 MW



*Bellevue Mill, 45 Kw, restored 1977 and ongoing*

### Hydroelectric Power – the Power of Moving Water

- Domestic & secure: Not subject to disruption of foreign suppliers, or costs and economics of fuels
- Falling water is a sustainable, renewable resource
- 85-90% overall efficiency
- No air emissions; no pollution or toxic byproducts



### Hydroelectric Benefits

- Is *firm*, reliable "baseload" power that aids needed reserves
- Can quickly respond to increased demand in power emergencies
- High capacity factor – generally about 60%
- 100+ year life span
- Pays taxes, licensing fees

*Hydro Powerhouse,  
Elk River, Grand  
Traverse Bay*



<sup>1</sup> See CECO. testimony U-17978, Direct testimony of David F. Ronk, JR "Company plans to offer"